



A Tradition of Stewardship  
A Commitment to Service

# **Napa-Vallejo Waste Management Authority**

Internal Audit Report

For the Quarter Ended June 30, 2016

Issued by  
**AUDITOR-CONTROLLER**  
**Internal Audit Section**  
January 17, 2017

# NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY

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A Tradition of Stewardship  
A Commitment to Service

**Auditor-Controller**

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**Tracy A. Schulze**  
Auditor-Controller

## EXECUTIVE SUMMARY

Board of Directors  
Napa-Vallejo Waste Management Authority  
1195 Third Street, Room B10  
Napa, California 94559

### Scope

This engagement was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. We have performed a review applicable to the revenue and other elements noted below for the Napa-Vallejo Waste Management Authority (Authority). This review is solely to assist the Authority Board and management with respect to the review of revenue and accounts receivable associated with inbound customers; and verification of controls associated with fees, manual tickets, stored tare weights, voids and issuance of tickets at Devlin Road Transfer Station (DRTS) operated by Northern Recycling Operations & Waste Services, LLC (Northern), for the quarter ended June 30, 2016.

### Objective

The objective of our review was to:

- Determine the accuracy of the revenue reported in the Authority's general ledger for inbound customers.
- Determine if controls associated with fees, manual tickets, stored tare weights, voids and issuance of tickets at Devlin Road Transfer Station are being maintained to protect the integrity of the revenues reported to the Authority.
- Provide the Authority with information on exceptions and additional information resulting from our engagement.

### Procedures

Our engagement included the following procedures:

- Verify that the revenue has been posted accurately and timely to the general ledger;
- Verify that tickets have been properly charged;
- Verify that internal controls are in place over the issuance of tickets;

## **Summary of Results and Exceptions**

For the purpose of our review, items requiring notification to the Board and management have been categorized as follows:

Result – A transaction or group of transactions that warrant notification to the Board and management, but do not require action from the involved parties.

Exception – A transaction or group of transactions that warrant notification to the Board and management and require action from the involved parties, such as a revision of procedures.

Based on our review of the quarter ended June 30, 2016, we noted the following results and exceptions:

### **Report Section**

- I. **Result:** Account Balances over 90 Days – As of June 30, 2016, twelve accounts had balances over 90 days past due for an amount of \$6,699. See Exhibit A on page 7 for a detail list and Exhibit B on page 8 for the quarterly history of accounts over 90 days from July 1, 2014 to June 30, 2016.
- II.A **Result:** Analysis of General Ledger Activity – A total of \$3.8 million in revenue was received in cash, checks, credit card charges, and payments to accounts receivable. See Exhibit C on page 9 for the detail results of the analysis.
- II.B **Exception:** Cash (Shortage) Overage – During the quarter there were two instances where cash shortages occurred and two instance of overages. Total net overage for all occurrences was \$28.
- III.A **Exception:** Same Time In and Out - We noted seventy-five tickets with the same “Time In” and “Time Out” entries for inbound materials, out of which forty-two tickets for a cumulative amount of \$2,955 did not indicate a cause of why the time was the same within the comment field of SoftPak or on the Daily Reconciliation Forms.
- III.B **Result:** Negative Tickets – During the quarter there were seven tickets with negative amounts for a cumulative amount of \$890.34. All tickets were listed in the explanation section of the daily reconciliation. See Exhibit E on page 11 and 12 for additional analysis.
- III.C **Result:** Wrong material code – There were two instances of discrepancies due to a clerical error of using the wrong material code for tickets that were voided and re-issued.

Detailed information of the reported results, exceptions, and recommendations can be found starting on page 4.

## Conclusion

We analyzed the controls associated with fees, manual tickets, stored tare weights, voids and issuance of tickets at Devlin Road Transfer Station. Due to staff turnover concerns arose regarding the number of voids and replacement tickets. However, it was determined that the errors did not materially impact the amount reported to the Napa-Vallejo Waste Management Authority. Based on our review, the revenue reported by Northern Recycling Operations & Waste Services, LLC's is materially accurate except for the accumulative shortage of \$325.


We determined that Northern Recycling Operations & Waste Services, LLC currently owes Napa-Vallejo Waste Management Authority \$325 for cash shortages occurring during the fiscal year ended June 30, 2016. The cumulative shortage is due to Napa-Vallejo Waste Management Authority upon the receipt of a written communication from the Executive Director of NVWMA in accordance with the conditions set forth in the Agreement between Northern Recycling Operations & Waste Services, LLC and Napa-Vallejo Waste Management Authority.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on specified elements, accounts or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you. The responses to the exceptions identified in our report have been provided by Northern. We did not audit these responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors; the Executive Director of the Napa-Vallejo Waste Management Authority and the Manager of the Devlin Road Transfer Station and is not intended to be used by anyone other than these specified parties.

Tracy A. Schulze  
Auditor-Controller

By



Karen Dotson-Querin, CPA  
Audit Manager  
January 17, 2017

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**RESULTS**  
**AND**  
**EXCEPTIONS**

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED JUNE 30, 2016**

**RESULTS AND EXCEPTIONS**

**I. ACCOUNTS RECEIVABLE**

**Procedure:** We obtained information from Central Collections regarding the status of accounts 90 days and over past due. The Treasurer's Central Collection Division has the option of requesting Board approval to write-off the uncollectible accounts twice a year, historically in December and June.

**Result:** Account Balances over 90 Days – All accounts over 90 days at June 30, 2016 and their status have been presented in Exhibit A on page 7 for an aggregate amount of \$6,699.42 including fees and interest, which is a decrease of \$2,075.89 compared to the prior quarter balance of \$8,775.31. Historical data and trends of the accounts receivable balances over 90 days is presented in Exhibit B on page 8.

**II. REVENUE**

**A. Procedure:** Analysis of General Ledger Activity – We completed a comparison of the general ledger activity to the deposit slip information submitted by DRTS for the quarter ended June 30, 2016. We also verified the timeliness of transmitting the deposit information and recording the revenue in the proper account.

**Result A:** A total of \$3.8 million in revenue was received in cash, checks, credit card charges and payments on accounts receivable. We summarized our analysis in Exhibit C on page 9 (“Analysis of General Ledger Activity”). Exhibit C also includes a graph depicting the quarterly revenue collected by DRTS from cash and credit card transactions over the last twelve quarters. Transactions were remitted and posted timely. No exceptions were noted.

**B. Procedure:** Cash (Shortage) Overage - We examined cash shortages by comparing the total transaction per transaction date according to the cash report generated from the “Scale Transaction Report” versus the amount in the general ledger.

**Result B:** There were two instances discovered where cash shortages had occurred and two instances of overages. All shortages were recorded in the Daily Reconciliation Form.

One shortage for five dollars was due to the wrong change being given out by a weighmaster. The other shortage was due to a customer driving off the scales without weighing out and paying.

We examined the process for documenting short pay of \$20 or more that were not collected by Northern within three days of the transaction to determine if the information was forwarded to Central Collections. During the quarter Northern transmitted the applicable information on shortages to the Treasurer-Tax Collector.

We have summarized our comparison and results in Exhibit D on page 10 (“Summary of Cash (Shortage) Overage”).



**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED JUNE 30, 2016**

**RESULTS AND EXCEPTIONS**

**III. INTERNAL CONTROLS**

**A. Procedure: Same Time In and Out** – We examined the Scale Transaction Reports for the quarter ended June 30, 2016 and noted transactions with the same “Time In” and “Time Out.”

Tickets have the same “Time In” and “Time Out” when staff manually input the tickets. Manual tickets may be required if the system is down. We excluded tickets for non-weighed items (e.g. auto batteries, tires, etc.), tickets for Collection Contractor’s vehicles and public agencies with tare weights coded into the system in accordance with the Northern contract, and hand tags for system outages and tickets where the comment indicated that the ticket was entered manually to correct a previous ticket. As a result of this procedure we noted the following exception:

**Exception A:** We noted forty-two tickets with the same “Time In” and “Time Out” entries for a cumulative amount of \$2,955 for inbound materials. The Scale Transaction report did not indicate the cause of why the time was the same within the comment field nor did the information appear on the Daily Reconciliation Forms. Twenty-eight of the tickets were for cash customers totaling \$1,618 and fourteen tickets were for accounts receivable customers totaling \$1,337. Tickets for voids, replacements, non-weighed items, Collection Contractors and public agencies were excluded from the procedure.

**Recommendation A:** We recommend that reasons for manual input of tickets continue to be noted in the comment field within Soft-Pak. In addition to noting the reasons within Soft-Pak, the reasons for manual entry should also be noted on the Daily Reconciliation Forms.

**Northern’s Response A:** Northern Recycling has advised all scale house staff to continue to note same in and out times on the scale ticket comment section.

**B. Procedure: Negative Tickets** – We reviewed negative amounts from the Scale Transaction Reports for the quarter ended June 30, 2016. We understand from our inquiries that negative quantities may be input manually to void or adjust ticket charges as necessary, for example where the origin, vehicle, customer or other information is input in error. The reasons for the negative amounts appear on a monthly Void Report.

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED JUNE 30, 2016**

**RESULTS AND EXCEPTIONS**

**III. INTERNAL CONTROLS (Continued)**

**Result B:** During the quarter there were seven tickets with negative amounts for a cumulative amount of \$890. Reasons for negative tickets were documented. No exceptions were noted.

**C. Procedure:** Material Code – We performed ticket testing to determine if fees have been programed timely and correctly into the software and also to verify if system is calculating amounts charged for loads accurately. This was done by creating a table of rates by material type and tonnage based on the rate resolution.

**Result C:** A total of 33,157 tickets were tested, valuing at \$3,825,849. There were two instances of discrepancies due to a clerical error of using the wrong material code. The erroneous tickets were voided and re-issued with the correct code.

## **EXHIBITS**

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## Exhibit A

### Napa-Vallejo Waste Management Authority Status of Accounts Receivable Over 90 Days Per Central Collections June 30, 2016

Account Name	Account Number	Total	Collection Measure
<b>Account 501 - General A/R</b>			
Ashorn Construction	50522	\$ 436	Still attempting to collect
Atazz Technical Services	61762	1,197	Still making payments
Buchanan Construction	60745	1,565	Waiting for response from Creditors claim filed by county counsel on 2/25/16
On Time Maintenance Service	55260	<u>1,027</u>	Still making payments
<b>Subtotal 501 - General A/R</b>		<u>4,225</u>	
<b>Account 501B - No Pay A/R</b>			
Garcia, Fernando	62098	106	Written off on July 1st.
Miller, Jeff	61909	<u>124</u>	Written off on July 1st.
<b>Subtotal 501B - No Pay A/R</b>		<u>230</u>	
<b>Account 501C - NSF A/R</b>			
Calmell, Carlos A DBA C & C Plumbing	62308	231	Continue collection attempts.
Golden Gate Roofing Service	55442	784	Judgement on file-still attempting to collect
Grossi, Paul E DBA North Bay Roofing	60494	180	Continue collection attempts
Hernandez, Ruben	57142	678	Judgement on file-still attempting to collect
Morgan Peabody, Ltd.	55396	291	Judgement on file-still attempting to collect
Nature's Wellness Center	62239	<u>80</u>	Continue collection attempts
<b>Subtotal 501C - NSF A/R</b>		<u>2,244</u>	
<b>Total Accounts Receivable Over 90 Days</b>		<u>\$ 6,699</u>	

## Exhibit B

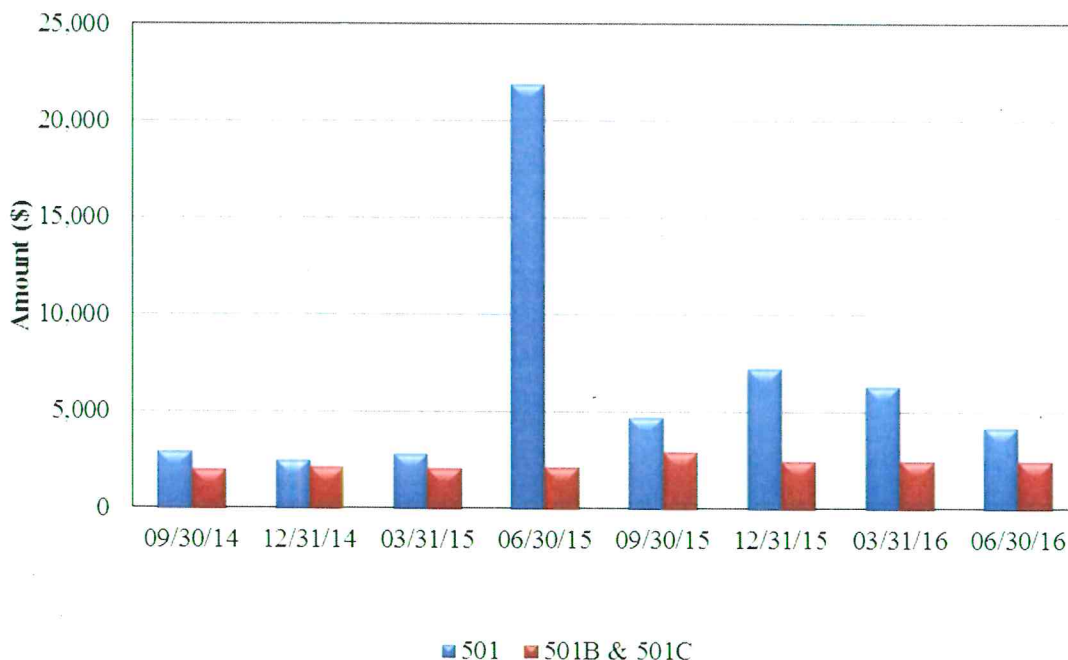
### Napa-Vallejo Waste Management Authority Comparison of Accounts Receivable Over 90 Days Quarters Ended September 30, 2014 through June 30, 2016

**Table 1**

Quarter Ended	501 (General A/R)		501B (Short Pay) & 501C (Returned Checks)		Total	
	# of Accounts	Amount	# of Accounts	Amount	# of Accounts	Amount
9/30/2014	4	2,926	5	2,009	9	4,935
12/31/2014	6	2,510	6	2,133	12	4,643
3/31/2015	10	2,834	5	2,057	15	4,891
6/30/2015	10	21,926	6	2,163	16	24,089
9/30/2015	6	4,762	9	2,976	15	7,738
12/31/2015	10	7,246	8	2,474	18	9,720
3/31/2016	8	6,301	8	2,474	16	8,775
6/30/2016	4	4,225	8	2,474	12	6,699
Average	7	\$ 6,591	7	\$ 2,345	14	\$ 8,936

Historically, delinquent accounts are due to lack of payments on general accounts receivable accounts. The dollar amount of delinquencies historically decreases during the quarter ended March 31<sup>st</sup> due to uncollectible accounts being approved by the Board to be written-off and historically increases in the quarter ended December 31<sup>st</sup>.

**Graph 1**  
**Accounts Receivables Over 90 Days**  
**Quarters Ended September 30, 2014 through June 30, 2016**



## Exhibit C

### Napa-Vallejo Waste Management Authority Analysis of General Ledger Activity April 1, 2016 through June 30, 2016

**Table 2**

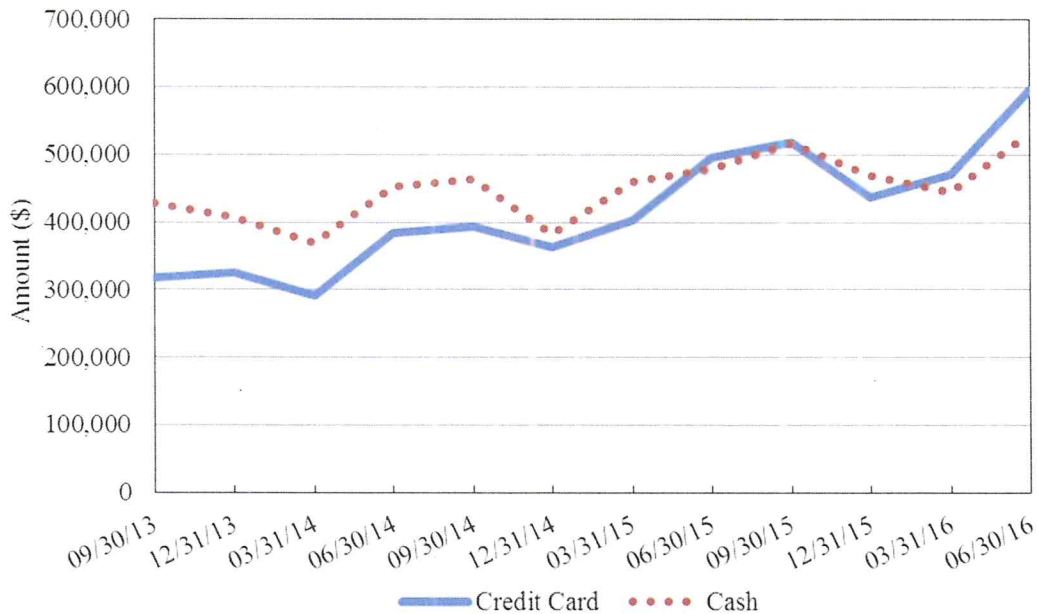
	General Ledger Total	Components				Other
		Visa / MC	Deposit Slip	Accounts Receivable	Bank Adjustments	
<b>APRIL</b>	\$ 1,287,031	\$ 184,356	\$ 167,660	\$ 934,546	\$ -	\$ 469
<b>MAY</b>	827,961	190,063	162,639	475,259		-
<b>JUNE</b>	1,736,427	222,769	201,854	1,313,378		(1,574)
<b>QUARTER</b>	<u>\$ 3,851,419</u>	<u>\$ 597,188</u>	<u>\$ 532,153</u>	<u>\$ 2,723,183</u>	<u>\$ -</u>	<u>\$ (1,105)</u>

Total Bank Adjustments and Other \$ (1,105)

Explanation of Bank Adjustments & Other:	Instances	Amount
Refund/Returned Checks - Non Sufficient Funds (NSF)	8	\$ (2,291)
Reclassification	2	991
Uncollectible write off	1	195
		<u>\$ (1,105)</u>

Detail is available upon request from the Napa County Auditor-Controller's Office

**Graph 2  
Revenue Collected at Devlin Road Transfer Station (DRTS)  
Quarters Ended September 30, 2013 through June 30, 2016**



Revenue collected at DRTS increased approximately \$87,000 for Cash/Checks and increased approximately \$125,000 for Visa/MC in the quarter ended June 30, 2016 compared to the quarter ended March 31, 2016.

## Exhibit D

### Napa-Vallejo Waste Management Authority Summary of Cash (Shortage) Overage For the Quarter Ended June 30, 2016

Description	Quarter Ended Sep. 30, 2015	Quarter Ended Dec. 31, 2015	Quarter Ended Mar. 31, 2016	Quarter Ended Jun. 30, 2016	Year to Date
Deposit Slips	\$ 521,621	\$ 477,233	\$ 438,807	\$ 525,877	\$1,963,538
VISA Slips	522,101	433,279	475,464	594,166	2,025,010
Subtotal	1,043,722	910,512	914,271	1,120,043	3,988,548
Deposits Per Cash Report	1,043,722	910,512	914,424	1,120,015	3,988,673
Cash (Shortage) Overage	-	-	(153)	28	(125)
Bank Adjustments	(100)	(100)	-	-	(200)
Net Cash (Shortage) Overage	<u>\$ (100)</u>	<u>\$ (100)</u>	<u>\$ (153)</u>	<u>\$ 28</u>	<u>\$ (325)</u>

**June 30, 2016 shortage is caused by the following:**

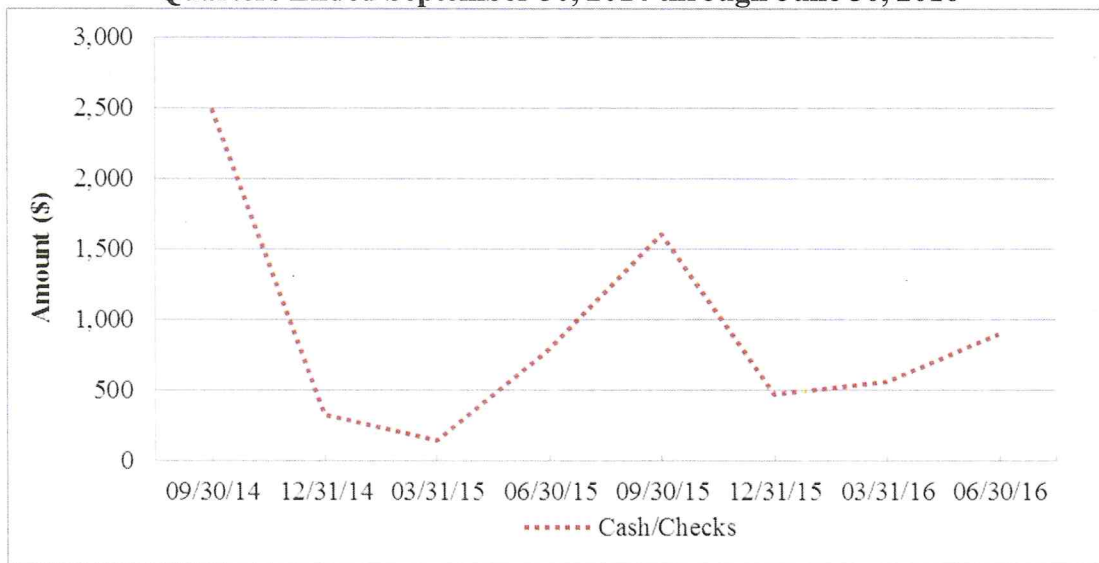
	<u>Instances</u>	<u>Total</u>
Overage	2	\$ 69
Shortage/Short Pay	2	(41)
Net Cash (Shortage) Overage	<u>4</u>	<u>\$ 28</u>



**Exhibit E**

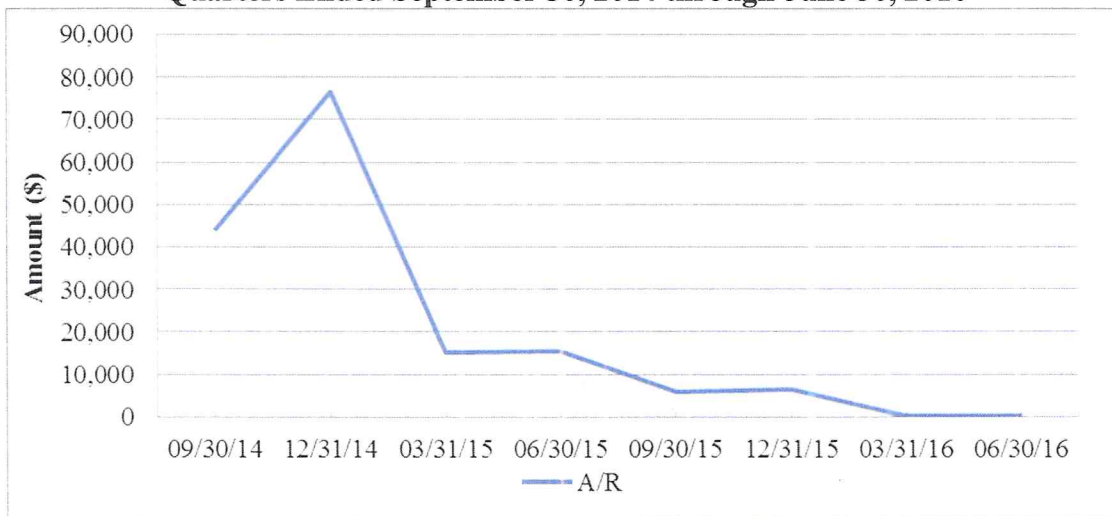
**Napa-Vallejo Waste Management Authority  
Summary of Tickets with Negative Amounts  
For Quarters Ended September 30, 2014 to June 30, 2016**

**Graph 3a  
Cash/Check Tickets with Negative Amounts  
Quarters Ended September 30, 2014 through June 30, 2016**



Due to the inherent risk of fraud associated with cash transactions, negative cash/check tickets have been separately shown above. Cash tickets with negative amounts had a small increase during the quarter ended June 30, 2016.

**Graph 3b  
Accounts Receivable (AR) Tickets with Negative Amounts  
Quarters Ended September 30, 2014 through June 30, 2016**



Accounts Receivable tickets with negative amounts remained unchanged in the quarter ended June 30, 2016.

**Exhibit E  
(Continued)**

**Napa-Vallejo Waste Management Authority  
Summary of Tickets with Negative Amounts  
For Quarters ended September 30, 2014 to June 30, 2016**

**Table 3**

<b>Quarter Ended</b>	<b>Cash/Checks</b>		<b>A/R</b>		<b>Total</b>	
	<b># of Tickets</b>	<b>Amount</b>	<b># of Tickets</b>	<b>Amount</b>	<b># of Tickets</b>	<b>Amount</b>
9/30/2014	15	2,497	206	43,736	221	46,233
12/31/2014	9	316	288	76,742	297	77,058
3/31/2015	1	139	41	15,240	42	15,379
6/30/2015	5	785	25	15,531	30	16,316
9/30/2015	7	1,600	18	5,736	25	7,336
12/31/2015	6	467	25	6,499	31	6,966
3/31/2016	4	558	0	-	4	558
6/30/2016	7	890	0	-	7	890
<b>Average</b>	<b>7</b>	<b>\$ 906</b>	<b>75</b>	<b>\$ 20,435</b>	<b>82</b>	<b>\$ 21,342</b>

The above table is a summary of negative tickets by transaction type, month, and totals for the quarter ended June 30, 2016 and also includes totals for the seven prior quarters, for comparison.